

Before the Energy and Technology Committee

Aquarion Water Company of Connecticut

Comments on SB 416

AN ACT CONCERNING THE MERGERS AND ACQUISITIONS OF THE HOLDING  
COMPANIES OF CERTAIN PUBLIC UTILITY COMPANIES

My name is Don Morrissey, EVP and CFO of Aquarion Water Company. I am here to provide comments on Senate Bill 416. Aquarion is the largest investor-owned water utility in New England, and currently serves over 600,000 people in 45 cities and towns in six of the eight counties across the State. With investments of over a billion dollars in Connecticut's water infrastructure, we operate 20 reservoirs and more than 75 wellfields throughout our service area and produce over 30 billion gallons of water annually.

First, I would like to say that we at Aquarion take very seriously our responsibility for the safety and reliability of water supplied to Connecticut's citizens. We also take pride in our stewardship of the environment and take our responsibility for conservation and natural resource management very seriously. Finally, we are very proud of our distinction as the utility with the highest customer satisfaction rating of all of the utilities in Connecticut.

Connecticut has the dubious distinction of having hundreds of small struggling water companies throughout the state. In contrast to the handful of electric and gas utilities in the state, there are over 550 privately held water systems currently doing business in Connecticut, ranging in size from only a handful of customers, to systems with tens of thousands of customers. Many of these systems cannot keep up with the constant need to repair and replace aging infrastructure, much less upgrade inadequate facilities. Making matters worse, they cannot afford the cost of complying with the increasing health and safety standards required of water. As a result, the state has encouraged consolidation in the industry; and over the past two years, Aquarion has or is in the process of acquiring 57 of these systems.

Senate Bill 416 would stifle the much-needed consolidation in the water industry. Specifically, the bill would impose a five year rate moratorium following any acquisition. As I've just mentioned, the rates for many of these smaller systems cannot support needed improvements. A rate moratorium will make matters worse and delay investment needed to bring these systems up to par. An artificial rate moratorium would discourage beneficial acquisitions and impede necessary infrastructure investment to the detriment of the state.

The bill would also prohibit downsizing utility staff levels for five years. This is counterproductive and inefficient. Aquarion has successfully increased efficiency and productivity by working smarter with fewer employees. By increased training, enhanced use of technology, and proper employee incentives, Aquarion has done more with less, all the while retaining its best in class customer service. Mandated employee levels inhibit such efficiencies, increase cost to consumers, and should not be adopted.

Finally, the bill would cap a utility's return on equity at the return on equity authorized by any out-of-state regulatory agency for any comparable out-of-state utility affiliate. This is an abdication of the state's responsibility to set rates at a level sufficient to attract needed capital on reasonable terms and is contrary to current state and federal law.

In conclusion, Connecticut should continue to set allowed rates of return based on established ratemaking principles and should not follow another state's lead, especially when the financial health of its utilities is at stake.

I look forward to your questions.

Thank you.